

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 02 ASUNCION 000150

SIPDIS

STATE WHA/BSC
STATE PASS TO USAID LAC/AA
NSC FOR KIMBERLY BREIER
SOUTHCOM FOR POLAD DAN JOHNSON

E.O. 12958: DECL: 01/27/2015
TAGS: [PGOV](#) [PREL](#) [KJUS](#) [ECON](#) [KIPR](#) [PINR](#) [PA](#)
SUBJECT: PARAGUAY,S MINISTER OF INDUSTRY ON REFORMS AND
ANTI-CORRUPTION

REF: ASUNCION 52

Classified By: DCM KEVIN M. JOHNSON FOR REASONS 1.4 (B) AND (D).

1. (C) Summary: The Ambassador raised concerns over threats to reforms and placement of corrupt officials to Minister of Industry Ernst Bergen. Bergen shared the Ambassador's concerns and added that it was vital to preserve the current economic team. Bergen said President Nicanor Duarte Frutos put the nation above politics and that he would stress to Duarte the need to resist pressures against reform. U.S. pressure is important, especially when coordinated with key reformers. End Summary.

2. (C) January 27 the Ambassador called on Minister of Industry and Commerce (MIC) and presidential confidant Ernst Bergen to urge continued GOP emphasis on reform and fighting corruption. (Note: Bergen is a religious mentor of the First Lady and President, vacationed with the Duartes last year, suggested Duarte attend the February 3 National Prayer Breakfast in Washington, and will join him there. End Note.)

3. (C) The Ambassador raised the international community's concern over possible threats to structural reforms and pressures to place corrupt officials in key positions. Bergen's close relationship with NDF and their upcoming joint trip offered an opportunity to remind the president of these issues. The Ambassador noted the near promotion of police official Aristides Cabral, who is tied to narcotics traffickers, late last year (reftel). The president later assured the Ambassador Cabral would not/not be promoted when the legislature reconvenes in March, but pressures continue. A corrupt official, Arnaldo Samaniego was recently named to a key Customs position over the objection of the Minister of Finance and Customs Chief, continued the Ambassador. In addition, the EU is pressing for more energetic prosecution of Padre Rubio case, where a priest and others stole millions from social welfare programs. The Ambassador added that hard-won reforms of pensions were under attack, the public banking law has been held up, reform of state enterprises is stalled, and pressures to abandon fiscal discipline were mounting. The Ambassador stressed that Duarte's reputation as an anti-corruption reformer was hard earned, but could be endangered by an accelerating political calendar (there is discussion of a constitutional convention this year to examine reelection, inter alia.) Paraguay's improved reputation is fragile, the Ambassador noted, urging Bergen and other reformers to weigh in with the President.

4. (C) Bergen said he shared the Ambassador's concerns. NDF was not/not fanatically dedicated to reelection, so the nation comes first with him, but pressures are strong and everywhere. NDF had pushed strongly in a cabinet meeting last week for quick progress on the Padre Rubio case, Bergen pointed out, so he did not see the executive as lacking will. He said he and Finance Minister Borda were both surprised by the appointment of Samaniego in Customs. This was bad news, he said, but the President had told Samaniego by phone in their presence that he would be watched carefully, that he was to follow the orders of his superiors, and that he would be fired if there was any corruption. Bergen said he gave Samaniego the same message personally, stressing the importance of stopping CD and other smuggling and IPR violations.

5. (C) Bergen said that, in addition to sharing the Ambassador's concerns, he felt it vital to retain the entire Economic team, noting that the President is very unlikely to fire Borda because he recognizes his value. There is some risk that a stressed-out, rigid and unhappy Borda might resign, Bergen added. An expression of support from the international community and Paraguayan leaders will buck him up to persevere. Bergen is working to improve the relationship between Borda and NDF and reminds the President of what Borda has accomplished. Bergen concluded that he appreciated the Ambassador's frank assessment, shared his concerns, and would reiterate them to the President. He lamented that "we can't do everything at once, but we can't let reforms be turned around".

16. (C) Comment: Key reformers in the cabinet and elsewhere face a tortuous daily balance, seeing continued corruption while trying to make things a bit better and preserve major achievements. The President must live both with his own party and with powerful special interests and choose his fights carefully. Our counter-pressure is important, especially when coordinated with key reformers. End Comment.
KEANE